

**REPORT OF THE AUDIT OF THE  
HARRISON COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**March 25, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HARRISON COUNTY**  
**SHERIFF'S SETTLEMENT - 2004 TAXES**

**March 25, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Harrison County Sheriff as of March 25, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$5,254,457 for the districts for 2004 taxes, retaining commissions of \$180,119 to operate the Sheriff's office. The Sheriff distributed taxes of \$5,071,830 to the districts for 2004 Taxes. No taxes are due to the districts from the Sheriff nor refunds are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff Should Publish His Tax Settlement

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Honorable Bruce Hampton, Harrison County Sheriff  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the Harrison County Sheriff's Settlement - 2004 Taxes as of March 25, 2005. This tax settlement is the responsibility of the Harrison County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Harrison County Sheriff's taxes charged, credited, and paid as of March 25, 2005, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Honorable Bruce Hampton, Harrison County Sheriff  
Members of the Harrison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Publish His Tax Settlement

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 6, 2005



HARRISON COUNTY  
BRUCE HAMPTON, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

March 25, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 621,219	\$ 855,127	\$ 2,288,369	\$ 830,655
Tangible Personal Property	46,006	66,227	140,870	245,348
Intangible Personal Property				49,657
Increases Through Exonerations	131	182	466	401
Franchise Corporation	44,629	63,281	140,630	
Additional Billings	6	9	23	9
Penalties	3,380	4,662	12,350	4,551
Adjusted to Sheriff's Receipt	(430)	6,841	(1,787)	(1,344)
Gross Chargeable to Sheriff	<u>\$ 714,941</u>	<u>\$ 996,329</u>	<u>\$ 2,580,921</u>	<u>\$ 1,129,277</u>
<u>Credits</u>				
Exonerations	\$ 3,273	\$ 4,506	\$ 12,058	\$ 6,014
Discounts	9,847	13,755	35,761	17,664
Delinquents:				
Real Estate	8,652	11,910	31,871	11,565
Tangible Personal Property	2	2	5	6
Uncollected Franchise	22	30	68	
Total Credits	<u>\$ 21,796</u>	<u>\$ 30,203</u>	<u>\$ 79,763</u>	<u>\$ 35,249</u>
Taxes Collected	\$ 693,145	\$ 966,126	\$ 2,501,158	\$ 1,094,028
Less: Commissions *	<u>29,746</u>	<u>41,060</u>	<u>62,529</u>	<u>46,784</u>
Taxes Due	\$ 663,399	\$ 925,066	\$ 2,438,629	\$ 1,047,244
Taxes Paid	663,061	924,603	2,437,375	1,046,791
Refunds (Current and Prior Year)	<u>338</u>	<u>463</u>	<u>1,254</u>	<u>453</u>
Due Districts or (Refund(s) Due Sheriff) as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

HARRISON COUNTY  
BRUCE HAMPTON, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES  
March 25, 2005  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,743,299
2.5% on	\$	2,501,158

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS

March 25, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue that are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue that are recognized when there is proper authorization. Taxes paid are uses of revenue that are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of March 25, 2005, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENT  
March 25, 2005  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 2004, through March 25, 2005.

Note 4. Interest Income

The Harrison County Sheriff earned \$4,448 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Harrison County Sheriff collected \$18,399 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Harrison County Sheriff collected \$480 of advertising costs and \$485 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION



HARRISON COUNTY  
BRUCE HAMPTON, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of March 25, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Publish His Tax Settlement

During our audit we found the Sheriff did not publish his tax settlement. KRS 134.310 (2) states the settlement shall be published pursuant to KRS Chapter 424, which requires the settlement to be published within 60 days after settlement with fiscal court. We recommend in the future the Sheriff comply with KRS 134.310 (2) by publishing his settlement as required.

*Sheriff's Response: OK*

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

This comment has been corrected and is not repeated in the current report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Dean Peak, Harrison County Judge/Executive  
Honorable Bruce Hampton, Harrison County Sheriff  
Members of the Harrison County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Harrison County Sheriff's Settlement - 2004 Taxes as of March 25, 2005, and have issued our report thereon dated July 6, 2005. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harrison County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Harrison County Sheriff's Settlement - 2004 Taxes as of March 25, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Publish His Tax Settlement



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of the Harrison County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 6, 2005

